



# GOVERNOR'S BUDGET HIGHLIGHTS



JANUARY 1998  
PREPARED BY THE  
DEPARTMENT OF FINANCE

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**I**n 1997, the Governor and the Legislature made significant accomplishments that will improve the long-term strength and health of California, including:

- Expansion of the Class Size Reduction program to a fourth year,
- Approval of a tax relief package affecting millions of Californians,
- Adoption of a plan to provide affordable health insurance to children of low-income families,
- Enactment of CalWORKs – the state’s comprehensive welfare-to-work program.

The 1998-99 Governor’s Budget builds on these accomplishments, and is designed to further economic growth, educational reform, public safety, preventive government and environmental quality by investing in these key areas:

**In K-12 Education**—The Budget includes \$350 million to lengthen the school year to 180 days while maintaining sufficient funds for staff development days. It also invests in programs designed to improve and enhance teacher training, academic achievement, school choice and school safety.

**In Higher Education**—The Budget fully funds the fourth and final year of the Governor’s Compact with Higher Education and calls for the development of a new compact with UC and CSU. The Budget also provides planning funds for a

tenth UC campus, and includes more than \$39 million to fund CSU enrollment growth above the Compact level.

**In Economic Development**—The Budget provides \$50 million in General Fund and \$200 million in a proposed bond to capitalize the Infrastructure and Development Bank, which will provide capital to local governments to help businesses locate and expand in California, and \$3 million for the small business loan guarantee program. Also, in recognition of the importance of exports to the state’s economic growth, the Budget establishes four new trade offices in Asia and South America.

**In Prevention**—The Budget contains an Early Childhood Development Initiative, designed to improve the health and development of children from birth to age three. The Budget also expands funding for breast cancer screening, ovarian and prostate cancer research, and the mentoring of at-risk youths.

**In Public Safety**—The Budget provides additional funds for anti-gang programs and for the apprehension of sexual predators.

**In Resources**—The Budget funds initiatives to protect California’s coastline and watershed areas, and to meet commitments for the state/federal plan to improve the water quality of Lake Tahoe.

**In Infrastructure**—The Budget proposes an ambitious \$7 billion investment plan to maintain and build the State’s system of schools, water supply, prisons, natural resources, and other important infrastructure.

# THE ECONOMY



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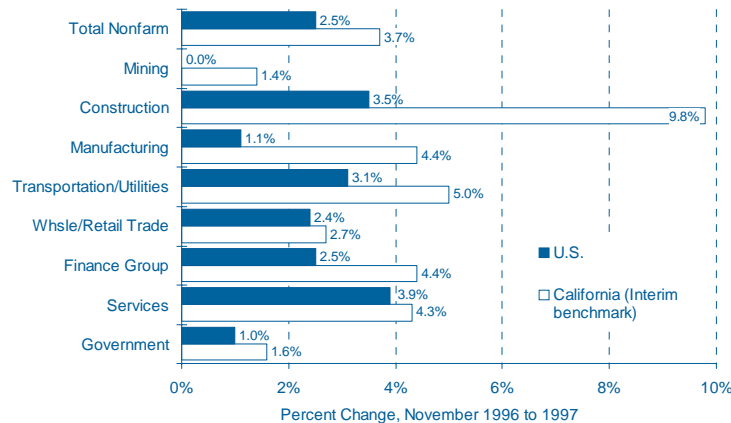
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## THE ECONOMY

### Employment by Industry, US and California (Percent change, November 1996 to 1997)



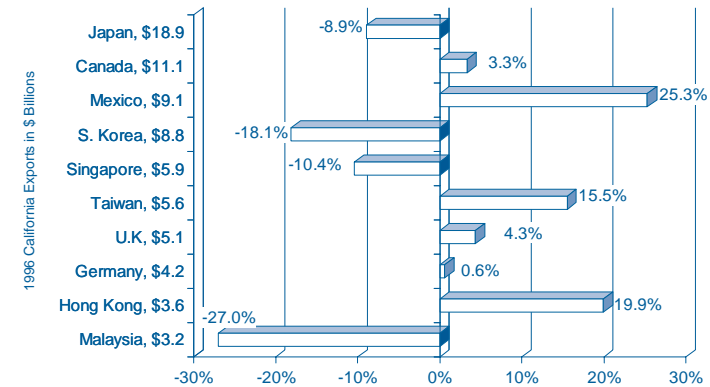
Led by high-technology manufacturing and services, California's economy once again outperformed the nation in 1997. Last year was the best of this decade for the State's economy, with employment growth exceeding 3 percent—approximately 400,000 new jobs—and income up by more than 7 percent. The State's jobless rate fell throughout 1997, reaching a seven-year low of 5.8 percent in November.

Among the most rapidly growing industries were: business services (including computer software), construction, health care services, electronics manufacturing, transportation and local public education (in large part reflecting the Class Size Reduction initiative.)

A homebuilding recovery is now underway, driven by strong sales of existing homes and rising home prices throughout the State. New housing permits reached an annual rate of almost 137,000 units in October—the highest in more than seven years.

## THE ECONOMY

### Exports of California-Made Goods First Half 1997 percent Change from First Half 1996



With roughly half of the State's exports sold in Asia, financial problems in the region will have a slight dampening effect on California's economy. Strong export growth to Mexico is offsetting some of the weakness in Asia, and an increase in exports to Europe is expected in 1998. Also, to the extent events in Asia keep interest rates—and inflation—low, California's homebuilding sector will benefit.

Nonfarm employment is expected to grow 2.8 percent (365,000 jobs) in 1998, following an increase of 3.1 percent in 1997. In 1999, job growth is projected at 2.3 percent.

The State's unemployment rate is projected to continue its decline, averaging 5.6 percent in 1998 and 5.4 percent in 1999.

Personal income is forecast to increase 6.3 percent in 1998 and 6 percent in 1999, slightly less than 1997's exceptionally strong 7.2-percent rise.

# REVENUE ESTIMATES



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## REVENUE ESTIMATES

California's solid economic performance over the past year led to healthy revenue growth. General Fund revenue for 1997-98 and 1998-99 is expected to reach \$52.9 billion and \$55.4 billion, respectively. This represents annual growth of 7.5 percent for 1997-98 and 4.7 percent for 1998-99.

In 1997, a package of bills was enacted that will provide more than \$1 billion in tax relief to California families. Major provisions include:

- ☛ The personal income tax dependent exemption credit was increased from \$68 in 1997 to (an estimated) \$222 in 1999. This will reduce the tax burden on California families by nearly \$800 million when fully implemented in 1999-2000.
- ☛ The alternative minimum tax exemptions were increased and indexed for inflation in order to prevent middle-income taxpayers from being subject to the tax. This will save taxpayers \$85 million per year.
- ☛ Conformity with new federal rules for Individual Retirement Accounts, capital gains on home sales, and Subchapter S corporations was also provided, resulting in annual revenue losses of about \$125 million, and easing the burden of tax preparation for taxpayers.
- ☛ The package also conformed California tax law with the recently-enacted federal alternative incremental credit for research expenditures. This is expected to save the State's business taxpayers nearly \$50 million annually.

## REVENUE ESTIMATES

### MAJOR REVENUE SOURCES

- ☛ Personal income tax revenues are expected to reach nearly \$26 billion in 1997-98 and \$27.6 billion in 1998-99. These estimates include the impact of anticipated taxpayer behavior changes due to the enactment of the federal Taxpayer Relief Act of 1997, as well as implementation of the State's tax relief package enacted in 1997. Much of the strength in personal income tax revenue is anticipated to come from capital gains realizations due to the strong stock market, vigorous economic expansion, and reduced federal tax rate.
- ☛ Sales and use tax revenue is forecast at \$17.55 billion in 1997-98 and \$18.3 billion in 1998-99. Preliminary data for 1997 suggest that the stable revenue growth seen over the prior three years is continuing—sales for 1997 are expected to be up by 5.9 percent over 1996. Revenue growth is expected to moderate somewhat during 1998 and 1999 to 4.8 percent and 4.3 percent, respectively. The largest percentage increases in taxable sales are expected in building, services, specialty goods, apparel, and food and beverages.
- ☛ Bank and corporation revenues are expected to total \$5.8 billion in 1997-98 and \$6.2 billion in 1998-99. This forecast reflects the enactment of significant tax relief in recent years. Preliminary tax return data indicate that while profit growth has been strong, tax liability has been reduced. Credit usage (largely the research and development credit and the manufacturers' investment credit) and S corporation activity are the principal reasons for the difference between growth in profits and lower corporate tax liability.

# PROGRAM EXPENDITURES



## EDUCATION

### ELEMENTARY AND SECONDARY EDUCATION

The Budget builds on the substantial educational reforms begun in recent years—Class Size Reduction, adoption of clear and rigorous standards, and enactment of a statewide test for grades 2-11. The Budget includes:

- ☛ An additional \$350 million to increase instructional time by shifting teacher staff development days outside the instructional year, so that every pupil can receive a full 180 days of instruction.
- ☛ School site grants totaling \$180 million will be distributed to each of California's more than 7,800 school sites, to be allocated for locally determined priorities.
- ☛ \$10 million for the Remedial Reading Summer School Grant Program for pupils in grades 3-6 who are reading below grade level, and \$37 million to continue the Governor's Reading Initiative.
- ☛ A new initiative, consistent with recently adopted standards, will provide \$40 million for teacher instructional training in mathematics.
- ☛ Funding is included for 15,000 Opportunity Scholarships, to allow students attending schools that are performing in the bottom 5 percent of all schools in the State the opportunity to move to a public or private school of their choice.
- ☛ \$136 million to continue implementation of the Governor's Digital High School Initiative by funding an additional 270 high schools.

## EDUCATION

- ☛ \$16.1 million to double the Beginning Teacher Support and Assessment Program, and funding for other initiatives to enhance teacher training in California's schools.
- ☛ \$36 million for school safety programs, including the High-Risk First-Time Offenders Program, a new School/Community Policing Program, and the expansion of the zero-tolerance policy for illegal drug possession.
- ☛ Implementation of the new special education local funding formula enacted in Chapter 854, Statutes of 1997, with at least \$50.8 million available for funding rate equalization.
- ☛ \$135 million to establish an ongoing, reliable funding source for the K-12 Deferred Maintenance Program. When combined with ongoing maintenance funding and local match, this proposal provides more than \$330 million for K-12 maintenance needs.
- ☛ An \$8 billion, multi-year general obligation bond for K-12 school construction. The proposal will place a \$2 billion K-12 bond measure on the ballot in 1998. The bond proposal is part of a comprehensive package of school facilities reforms to establish adequate and predictable funding while providing districts with greater flexibility and control over local school facilities issues.



## THE COMMISSION ON TEACHER CREDENTIALING

- ☛ \$7.5 million to continue and expand the Alternative Credentialing Program.
- ☛ \$3.8 million to continue the Pre-Internship Teaching Program, which provides pre-intern teaching candidates the training and support necessary to become fully credentialed teachers.
- ☛ \$1.5 million for the design, development, and testing of an “in-class” performance assessment for teacher credential candidates.

## CHILD CARE AND DEVELOPMENT

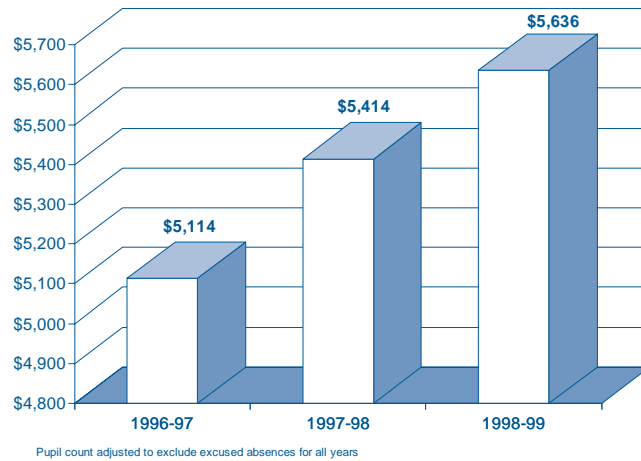
In 1998-99, California will increase child care and development services as part of its ongoing commitment to assist families working toward self-sufficiency, and to provide children from low-income families with appropriate experiences to prepare them for successful learning in school. These efforts include:

- ☛ \$127.5 million to expand child care availability for an additional 30,400 children whose parents are participating in the California Work Opportunity and Responsibility to Kids (CalWORKs) program.
- ☛ \$10 million to further expand the availability of child care services for infants and toddlers, as part of the Administration’s Early Childhood Development Initiative.

- ☛ \$31 million to expand the State Preschool program for a Pre-Kindergarten initiative focused on four-year olds from the lowest income families. This amount includes \$6 million to develop and implement learning guidelines for all programs serving pre-kindergarten children.
- ☛ \$38 million to continue the current year expansion of infant and toddler care and full-day care services for children enrolled in the State Preschool Program.

## EDUCATION

### K-12 Education Spending Per Pupil Proposition 98



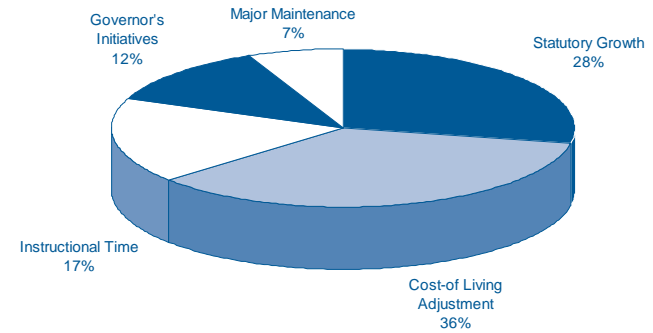
☞ Total K-12 funding from all sources is now \$39.6 billion, an increase of \$14.5 billion since 1990-91.

☞ Total 1998-99 per-pupil expenditures from all sources are \$6,749, up \$555 from 1996-97.

☞ Proposition 98 per-pupil spending has increased to \$5,636, which is \$522 over the 1996-97 level. This translates into a 5 percent average annual increase over the two-year period.

## EDUCATION

### What the Proposition 98 Increase Buys in 1998-99



☞ Significant funding increases includes \$350 million for more instructional time, \$135 million for major and deferred maintenance, and \$136 million for Digital High Schools.

☞ Statutory growth funding of \$565 million, which fully funds \$467 million in statutory growth for apportionments and special education, and \$98 million in statutory growth for all other categorical programs.

☞ A 2.22-percent cost-of-living increase at a total cost of \$657 million, which includes \$532 million for apportionments and special education, and \$125 million for all other categorical programs.

## EDUCATION

### Governor's Initiatives Increase in Funding

(Dollars in Millions, all Fund Sources)

#### Improving Instruction

Class Size Reduction	\$ 57.6
Instructional Time	350.0
Remedial Reading Summer School	10.0
Summer School for Math and Science	1.0
Math Initiative	40.0
Reading Initiative	37.4
Low-Performing Schools	3.0
Single Gender Academies	3.0
<b>Total</b>	<b>\$ 502.0</b>

#### School Opportunity

Opportunity Scholarships	\$ 52.2
Partnership Academies	1.4
Academic Volunteer Mentor Program	5.0
<b>Total</b>	<b>\$ 58.6</b>

#### Teacher Training

Beginning Teacher Support and Assessment	\$ 16.1
National Board Certification for Teachers	1.0
Reconfiguration of the Teacher Salary Schedule	1.0
Commission on Teacher Credentialing	7.3
<b>Total</b>	<b>\$ 25.4</b>

#### Evaluation and Testing Improvements

Standardized Testing and Reporting System (STAR)	\$ 30.4
Statewide Assessment of Applied Academic Skills	31.2
Golden State Exams	1.8
Physical Fitness Reporting	0.1
<b>Total</b>	<b>\$ 63.5</b>

#### Child Care/Early Childhood Development

Expansion for CALWORKs families	\$ 127.5
Expanded Resource and Referral Services	4.0
Infant and Toddler Development	10.0
Pre-Kindergarten for Low-Income Families	31.0
<b>Total</b>	<b>\$ 172.5</b>

#### School Safety

High-Risk First Time Offenders Program	\$ 20.0
School/Community Policing Program	10.0
Zero-Tolerance for Drug Possession	6.2
<b>Total</b>	<b>\$ 36.2</b>

#### Other Initiatives

Digital High School	\$ 86.0
School Site Block Grants	180.0
Deferred Maintenance	135.0
<b>Total</b>	<b>\$ 401.0</b>

**TOTAL INITIATIVES \$1,259.2**

## EDUCATION

### HIGHER EDUCATION

The Budget funds the fourth and final year of the Governor's four-year Compact with the University of California (UC) and California State University (CSU) systems to promote budget stability and expand the State's investment in higher education.

The State and the university systems have honored or exceeded the commitments of the Compact:

**Funding**—The State has fully funded the Compact and has also provided funding above the Compact level.

**Enrollments**—Both systems have achieved significant gains in enrollments, exceeding the goals of the Compact.

**Transferability**—UC and CSU continue to work successfully with each other and the community colleges to improve the transferability of courses among the three segments.

**Productivity**—Both UC and CSU have met the Compact's goal of achieving at least \$10 million in new savings annually through productivity improvements.

**Faculty Salaries**—Both UC and CSU continue to make progress towards restoring competitive faculty salaries, while emphasizing performance-based salary increases.

**Capital Outlay**—During the first three years of the Compact, UC and CSU received a total of almost \$1 billion for capital projects, and have been able to address many high-priority seismic, fire and life safety infrastructure, and educational technology projects.

## EDUCATION

### Higher Education Funding

#### Total Funds

(Dollars in millions)

	1997-98	1998-99	One-Year Change	
			Amount	Percent
University of California <sup>1/</sup>	\$3,116.9	\$3,286.5	\$169.6	5.4%
California State University <sup>1/</sup>	2,515.4	2,669.0	153.6	6.1%
Community Colleges <sup>2/</sup>	4,539.7	4,796.2	256.5	5.7%
Student Aid Commission	294.7	319.9	25.2	8.6%
Other Higher Education <sup>3/</sup>	185.7	194.1	8.4	4.5%
<b>Total Funds</b>	<b>\$10,652.4</b>	<b>\$11,265.7</b>	<b>\$613.3</b>	<b>5.8%</b>

<sup>1/</sup> For purposes of this table, expenditures for the University of California and California State University have been adjusted to include the offsetting general purpose income. This provides consistency in comparing magnitudes and growth among the various segments of education.

<sup>2/</sup> CCC's expenditures for 1997-98 include \$31.7 million in General Fund proposed legislation for one-time expenditures. Without this proposal, CCC's ongoing expenditures for 1998-99 would show a one-year increase of \$288.2 million or 6.4 percent.

<sup>3/</sup> Other Higher Education amount includes the California Postsecondary Education Commission, Hastings College of the Law, and General Obligation Bond Interest and Redemptions for UC, CSU and Hastings.

The Administration is working with the systems to develop a new Compact. As discussed in the Infrastructure section, the Administration is proposing a \$1 billion General Obligation bond for higher education for the 1998 ballot.

For the fourth consecutive year, there will be no increase in mandatory systemwide fees. Pursuant to Chapter 853, Statutes of 1997, fees for resident undergraduate students at UC and CSU will be decreased by five percent; for community college students, fees will be reduced by \$1 per unit.

## EDUCATION

Total higher education funding increases by an average of 5.8 percent; however, General Fund increases average 8.3 percent.

The Budget provides \$39.6 million above the \$12.2 million in the Compact to CSU to increase budgeted student enrollments by 10,320, and \$6 million above the \$14.6 million in the Compact to UC to increase enrollments by 2,800, including 800 undergraduate enrollments in computer science and engineering.

The Budget provides an additional \$6.1 million for the three higher education segments to develop courses for participation in the California Virtual University.

The Budget provides an additional \$5 million for UC's Industry-University Cooperative Research Program, and \$5 million to CSU to expand and enhance its teacher preparation and support programs.

The Budget provides an additional \$5.2 million to assist CSU with the conversion of the Camarillo State Hospital and Developmental Center to the Ventura Off-Campus Center of CSU, Northridge.

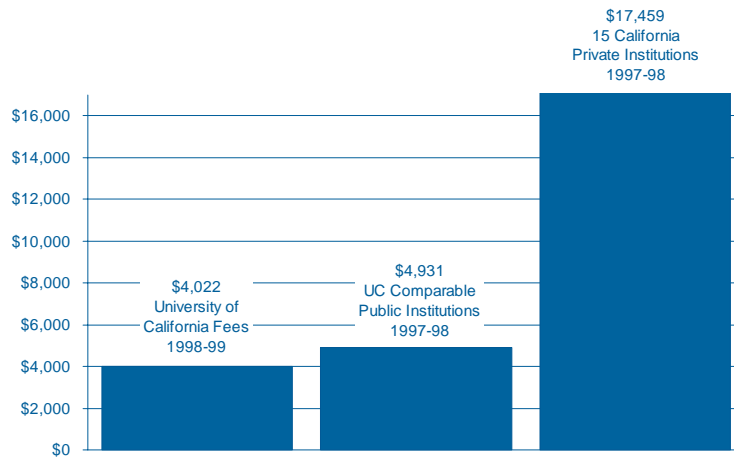
The Budget includes a total of \$10 million for planning and development of a tenth UC campus—UC Merced.

Fees at CSU are \$1,625 less than fees at comparable schools in 1997-98; UC fees are \$909 less, and Community College fees remain the lowest in the nation.

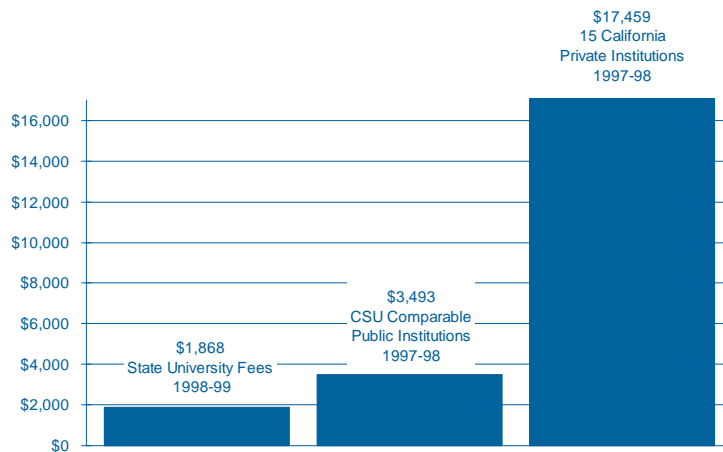
Total financial aid, including grants, loans, and work study, from all state, fee, federal, and private sources for California students is more than \$5 billion.

## EDUCATION

### University of California Comparison of Resident Fee and Tuition Levels at Comparable Universities and California Private Institutions



### California State University Comparison of Resident Fee and Tuition Levels at Comparable Public Universities and California Private Institutions



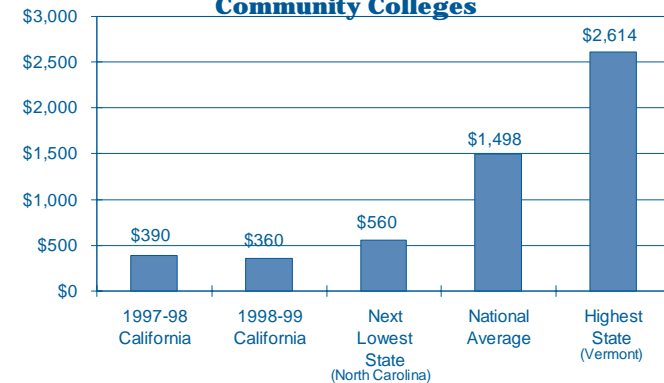
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## EDUCATION

### CALIFORNIA COMMUNITY COLLEGES

#### Resident Tuition and Required Fees Community Colleges



Source: Washington State Higher Education Coordinating Board

#### (Average Annual Fees) 1997-98

- For Community Colleges, an increase of \$288.2 million in ongoing funding, or 6.4 percent, is proposed.
- The Community Colleges will be able to accommodate an additional 28,200 full-time equivalent students, bringing enrollment to its highest level ever. The Budget provides sufficient funding for a 3-percent enrollment increase, which is significantly higher than the statutory growth rate, in order to ensure greater access to the community colleges.
- An additional \$40 million for onetime infrastructure is included to assist with major maintenance, structural accessibility, instructional equipment and library materials.

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## EDUCATION

- ☛ A new \$50 million Partnership for Excellence Program is proposed, to stimulate accomplishment of statewide student outcome goals by providing performance incentives.
- ☛ The telecommunications technology infrastructure program has been augmented by \$10 million for a total program of \$28 million.

## HEALTH & WELFARE

### HEALTH AND WELFARE

#### The Expanded Prevention Agenda

The Budget proposes the following new or expanded initiatives to further the Administration's commitment to effective prevention programs for children and families.

**Early Childhood Development Initiative.** Recognizing the importance of enriching the development of California's children during the critical years from birth to age three, the Budget proposes \$54 million for the new Early Childhood Development Initiative, which includes:

- ☛ **Early Childhood Development Training for Child Care Providers.** The Budget includes \$3.7 million to improve the quality of child care through provider training.
- ☛ **Newborn Hearing Screenings.** The Budget includes \$6.1 million to provide hearing screenings and early interventions for all infants born in California Children Services-approved hospitals.
- ☛ **Pre-Kindergarten for Low-Income Families.** The Budget includes \$31 million to expand State preschool and prepare and distribute learning development guidelines.
- ☛ **Infant and Toddler Development.** The Budget includes \$10 million to expand infant and toddler child care services, and reserves \$2 million in existing Healthy Start funds to serve low-income families with very young children.
- ☛ **Family Information Services.** The Budget includes \$3.1 million to provide family information services on child development and parenting skills.

## HEALTH & WELFARE

**Emerging Infectious Disease and Food Safety Control and Prevention.** The Budget provides \$3.1 million to investigate infectious diseases and enhance food safety, thereby controlling outbreaks and preventing avoidable hospital costs and business losses.

**Breast Cancer Early Detection Program.** The Budget expands this program by \$11.2 million over two years to provide screening services for an additional 177,000 women. The Budget proposes a total of \$31.4 million for 286,000 screenings, including \$1.3 million to augment referral and other ancillary services.

**Cancer Research Program.** The Budget increases allocations for ovarian and prostate cancer research grants from \$2 million in 1997-98 to \$25 million. These funds will be spent to research the causes, prevention, early detection, diagnosis, and treatment of these cancers.

**Childhood Lead Poisoning Prevention Program.** The Budget includes an additional \$14.3 million, over two years, to expand the Childhood Lead Poisoning Prevention Program. The additional funding will enhance access to services and improve monitoring of children exposed to lead.

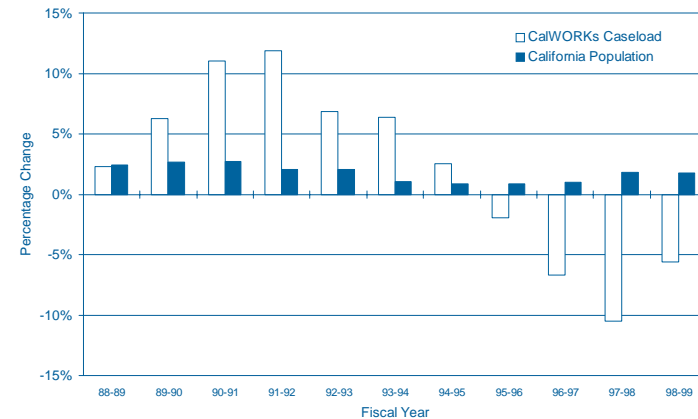
**Mentoring At-Risk Youth.** The Budget includes an additional \$6 million to expand funding for mentoring programs to \$14.5 million. The programs are designed to assist at-risk youths in becoming productive members of society while reducing juvenile crime, teen pregnancy, gang association, and the school dropout rate.

**Teen Pregnancy Prevention/Abstinence Education.** The Budget includes \$7.2 million in federal funds, to be matched at the local level, to initiate an abstinence education and pregnancy prevention program.

## HEALTH & WELFARE

### CalWORKs Caseload and Expenditures

**Annual percentage change in  
CalWORKs Caseload and California Population  
1988-89 through 1998-99**





**Caseload Trends.** Caseload is projected to decrease for the fourth consecutive year in 1998-99. The 1997 Budget Act caseload assumed 763,700 cases, which is now revised to 754,100 cases. The implementation of CalWORKs and continued economic improvement will result a further decline to 699,000 cases in 1998-99.


**Overall Funding.** The Budget proposes total federal Temporary Assistance for Needy Families (TANF) block grant expenditures in 1998-99 of \$4.223 billion, which includes the \$3.734 billion annual TANF block grant amount combined with \$489 million in prior-year carry-over funds. The Budget proposal meets California's \$2.915 billion TANF federal maintenance-of-effort requirement and provides an additional \$95 million to


## HEALTH & WELFARE

match non-TANF federal funds. In total, CalWORKs-related expenditures are proposed to be \$7.2 billion, with \$5.9 billion in the CalWORKs local assistance program of the Department of Social Services and the remainder in other state programs and county budgets.

 **Welfare-to-Work Federal Grant.** CalWORKs will be further augmented with the U.S. Department of Labor Welfare-to-Work grant in the Employment Development Department budget—\$162 million in 1997-98, \$198 million in 1998-99, and \$3 million in subsequent years—for support and allocation to Private Industry Councils and other local entities for job training and placement services for hard-to-employ CalWORKs recipients.


 **County Block Grant.** The 1998-99 CalWORKs block grant to counties is estimated to exceed \$2 billion. This block grant funds the counties' projected need for CalWORKs employment services, child care, and local program administration; and the block grant permits county discretion in resource allocation to meet those needs.


 **Employment Services.** The Budget provides \$1 billion in 1998-99 to fund an average of 376,000 participants per month within CalWORKs employment services. This amount includes \$95 million General Fund as a supplement to match the U.S. Department of Labor Welfare-to-Work grant.


 **Child Care.** The Budget includes over \$1.8 billion to fund the estimated need for CalWORKs child care and to provide services to working poor families. This represents an increase of \$665 million over the revised 1997-98 budget and a \$1.1 billion increase from 1996-97. Of the \$1.8 billion proposed in 1998-99,


## HEALTH & WELFARE

\$891.2 million is for CalWORKs child care to serve an estimated average monthly enrollment of 216,000 children in programs funded through the Department of Social Services (\$702.2 million), the California Department of Education (\$174 million) and the California Community Colleges (\$15 million).

 **Administration.** The Budget includes, as part of the county block grant, \$532.7 million for county administration of CalWORKs.

 **Fiscal Incentives.** Counties are provided 100 percent of the State and federal share of savings resulting from (1) recipients' successful exit from the program due to employment, (2) grant payment reductions due to increased earnings, and (3) up-front diversion from initial entry onto aid. These incentives provide maximum flexibility for locally elected officials to reinvest these savings into services and maximize county success. The Budget includes \$266.9 million (\$130 million General Fund) for incentive payments to counties in 1998-99.

 **County Fraud Incentives.** Awarding counties 25 percent of their actual fraud collections as an incentive payment strengthens the integrity of the CalWORKs program. While the TANF portion of those payments must be spent within the CalWORKs program, the General Fund portion may be spent for any county purpose. The Budget includes \$13.1 million (\$6.6 million General Fund) in 1998-99 for fraud incentive payments.

 **Emergency Assistance/County Probation.** The Budget includes \$167.4 million in federal TANF funds for a variety of county services, including probation and emergency assistance services, for at-risk youths and their families as well as juvenile wards of the court.



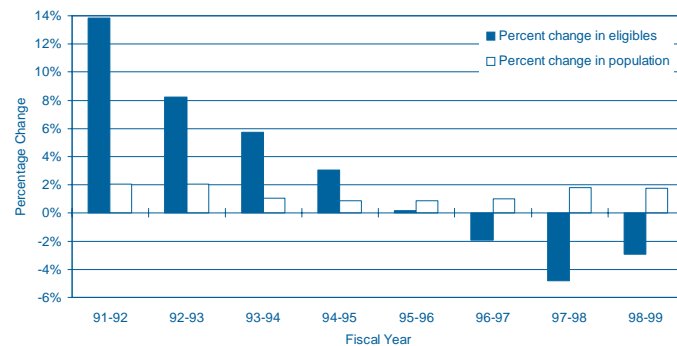
## HEALTH & WELFARE

In addition, the Budget provides \$32.7 million in federal TANF funds to support county juvenile camps and ranches.

**Grant Level.** The Budget proposes to continue the 4.9 percent grant reduction and the cost-of-living suspension, resulting in the continuation of a \$565 cash grant level for a family of three in Region 1 and a \$538 grant in Region II.

### Medi-Cal

#### Annual percentage change in Medi-Cal Eligibles and the California Population



In 1998-99, caseload is expected to decrease by 7.6 percent below the 1996-97 level. This compares to an expected 3.6-percent growth in State population for the same two-year period. The average monthly number of persons enrolled in Medi-Cal is projected to decrease to about 4.95 million, which represents approximately one of every seven Californians.

## HEALTH & WELFARE

Medi-Cal costs for 1998-99 are projected to be \$18.5 billion, including \$6.8 billion General Fund—essentially the same amount as 1997-98.

Despite caseload decreases, Medi-Cal General Fund costs remain constant due to increased levels of service, and cost increases in managed care, long-term care, and Medicare health insurance premiums.

The number of Medi-Cal beneficiaries enrolled in managed care plans is expected to increase to 2.5 million beneficiaries by June 30, 1999, approximately half of all Medi-Cal beneficiaries. A \$1.9 million outreach campaign is planned for 1998-99 to assist Medi-Cal eligibles in their selection of managed care plans and providers.

### Healthy Families Program

This program of health coverage for uninsured children in families with incomes between 100 percent and 200 percent of the federal poverty level who are not eligible for “no share-of-cost” Medi-Cal or otherwise insured begins in 1998-99. Enrollment is expected to exceed 200,000 children by the end of 1998-99. The Budget includes \$100.5 million (\$34.1 million General Fund) for these benefits in the first year.

The Budget also includes \$60 million (\$20 million General Fund) to expand Medi-Cal coverage to include additional uninsured children.

Medi-Cal coverage with no share-of-cost will be provided to all children between the ages of 6 through 18 in families with incomes below 100 percent of poverty. Additionally, existing asset limits for these children will be waived and one additional month of eligibility for

## HEALTH & WELFARE

children whose parents become ineligible for Medi-Cal will be provided to allow time to enroll the child in a health care plan. These changes cost \$64 million (\$22 million General Fund).

☞ A simplified eligibility determination package will be made available to families applying for their children. These applicants may apply by mail for benefits on behalf of their children. This simplification results in savings of \$4 million (\$2 million General Fund).

A \$21 million (\$5 million General Fund) outreach campaign will be initiated to identify potential applicants, inform parents and guardians of uninsured children of the newly available coverage in both the Medi-Cal and Healthy Families programs, and assist them in enrolling their children.

### HIV/AIDS Program Expansion

The Budget expands California's HIV/AIDS prevention and treatment programs by \$35.9 million in the AIDS Drug Assistance Program to meet the significantly increasing demand for new and more effective drugs and address rising caseload costs. Funding for the Department of Health Services HIV/AIDS programs totals \$221.2 million (\$113.6 million General Fund).

## HEALTH & WELFARE

### Comparison of June 1, 1997 Payment Standards for the Ten Most Populous States

States	SSI/SSP Payment Standards Independent Living Arrangement			
	Aged and Disabled		Blind	
	Individuals	Couples	Individuals	Couples
California	\$640	\$1,122	\$695	\$1,269
New York	570	829	570	829
New Jersey	515	751	515	751
Pennsylvania	511	770	511	770
Michigan	498	754	498	754
Texas <sup>1,3</sup>	484	726	484	726
Florida <sup>1</sup>	484	726	484	726
Illinois <sup>1,2</sup>	484	726	484	726
Ohio <sup>1,2</sup>	484	726	484	726
Georgia <sup>1</sup>	484	726	484	726

<sup>1</sup> Reflects the federal SSI payment standard only as these states do not supplement SSI for an independent living arrangement.

<sup>2</sup> These states do not have a standard SSP allowance. Payments are based upon individual needs and circumstances.

<sup>3</sup> State does not supplement.

### Supplemental Security Income/State Supplemental Payment (SSI/SSP) Program

Caseload is projected to increase to 1,075,400 recipients in 1998-99, a 3.1-percent increase over 1997-98. Total SSI/SSP General Fund expenditures are projected to be \$2.2 billion, compared to \$2.1 billion in 1997-98.

In January 1999, SSI/SSP recipients will receive a 2.6-percent federal cost-of-living adjustment (COLA) to SSI payment standards—an increase of \$13 for individual monthly grants and \$19 for couple monthly grants. An individual grant will increase to \$663 a month; a couple's grant to \$1,175 a month.

## HEALTH & WELFARE

The Budget proposes continued suspension of the State COLA. California's SSI/SSP payment standards continue to be the highest among the ten most populous states.

### **In-Home Supportive Services (IHSS)**

☞ The Budget includes \$485.4 million General Fund for the IHSS program, an increase of \$100 million above 1997-98. This increase includes \$53.1 million for services to 6,800 new cases due to program growth and minimum wage increases for service providers. The remaining \$46.9 million is to replace a reduction in the federal Title XX grant to allow recipients to continue receiving their current levels of service.

☞ Caseload is projected to increase to 211,300 cases in 1998-99, 3.3 percent higher than the 1997-98 caseload of 204,500.

### **Adult Protective Services Expansion**

The Budget increases the base program for Adult Protective Services by \$10 million. This augmentation will allow counties to provide greater protection to elderly and dependent adults who are in danger of or are victims of abuse, neglect, or exploitation.

### **Expansion of Seniors' Programs**

The Budget includes \$12.2 million (\$9.1 million General Fund) to expand the availability of Adult Day Health Care, Multipurpose Senior Services Program, and Community-Based Services Programs—Alzheimer's Day Care, Linkages, Foster Grandparent, Senior Companion, Brown Bag Program, and Respite Services.

## HEALTH & WELFARE

### **Department of Developmental Services**

**Developmental Centers.** The Budget includes approximately \$34.1 million (\$18.1 million General Fund) for the initial year of a four-year effort to meet the needs of clients residing in developmental centers. These funds will be used to fill approximately 1,030 positions throughout the developmental centers in many areas, including: level-of-care nursing; medical and therapy services; treatment and behavioral services; specialized assistance to clients transitioning into the community; and, increased security for forensic clients.

**Regional Centers.** The Budget includes \$114.9 million (\$95.2 million General Fund) to fund regional center costs associated with increasing caseload, the full-year cost of minimum wage increases and increasing costs as more severely disabled clients are moving into the community from the developmental centers.

☞ The Budget includes \$31.1 million (\$20.7 million General Fund) for the initial year of a two-year plan to provide a total of 800 additional case managers in the regional centers resulting in an increase in direct client contact and increased monitoring and oversight to ensure that client needs are met.

☞ Additionally, the Budget includes \$19.8 million (\$14.5 million General Fund) for the initial phase of a two-year plan to develop training materials and tests, and initiate a program to train all direct care community care facility employees and provide a ten-percent employee wage increase through facility rate increases.

## HEALTH & WELFARE

### Department of Mental Health

Total state hospital population is up by 79 clients from 4,093 in 1997-98 to 4,172 in 1998-99.

☞ The Budget includes \$24.6 million for a projected Sexually Violent Predator population of 321 by June 30, 1999. This reflects an increase of 183 above the 1997-98 budgeted population at an increased cost of \$9.8 million General Fund.

☞ The Judicially Committed/Penal Code population will increase by 155 (from 2,205 in 1997-98 to 2,360 in 1998-99) at a cost of \$8.3 million General Fund.

## LOCAL GOVERNMENT

### LOCAL GOVERNMENT

#### California Work Opportunity and Responsibility to Kids (CalWORKs)

CalWORKs implements California's version of the federal Temporary Assistance for Needy Families Program. CalWORKs affords counties maximum flexibility to design programs suited to the needs of their citizens and communities.

☞ Within the CalWORKs program, the Budget includes a county block grant projected in excess of \$2 billion to permit county flexibility in funding child care, employment services and administration.

☞ The Budget includes an additional \$95 million General Fund for allocation to counties to supplement CalWORKs employment services and meet the match required for the Welfare-to-Work program.

☞ Counties will receive 100 percent for the State's savings associated with individuals' success in specific areas. These funds are estimated at \$267 million in 1998-99, and will be available for reinvestment in local programs critical to moving persons to unsubsidized employment.

#### Trial Court Funding

Chapter 850, Statutes of 1997 implements a major funding restructuring of the trial courts. Beginning in 1997-98, funding for the trial courts, with the exception of costs for facilities, local judicial benefits, and revenue collection, is

## LOCAL GOVERNMENT

consolidated at the state level. The county contribution, including the fine and penalty amounts, is capped at the 1994-95 level. Beginning in 1998-99:

- ☞ The county general fund contribution will be reduced by \$288 million, including \$10.7 million to buy out the county contribution in the smallest 20 counties.
- ☞ The cities will realize \$62 million in revenue by retaining fines and penalties previously remitted to the State.

In addition, for support of the trial courts, the Budget includes:

- ☞ \$50 million to fund workload increases and high-priority issues, such as court security.
- ☞ \$50 million for the Judicial Administration Efficiency and Modernization Fund to improve access, efficiency, and effectiveness of trial courts that have unified to the fullest extent allowed by law.
- ☞ \$13.2 million to fund the 40 new judgeships authorized in Chapter 858, Statutes of 1997.

### **Infrastructure Bank**

An adequate infrastructure is essential for local governments to be able to attract and retain business. To address local infrastructure needs, the Budget includes \$50 million for initial capitalization of the Infrastructure and Economic Development Bank and proposes a \$200 million general obligation bond for ongoing capitalization for the bank.

## LOCAL GOVERNMENT

### **Other County Proposals**

The Budget also includes:

- ☞ \$167.4 million from the federal Temporary Assistance for Needy Families (TANF) funds for the Comprehensive Youth Services Act. These funds may be used for a wide range of services, including gang intervention, substance abuse prevention and counseling.
- ☞ \$33 million in TANF funds for county camps and ranches.
- ☞ \$100 million for the Citizens' Option for Public Safety program.
- ☞ \$12 million, or 15 percent of the State's Violent Offender Incarceration and Truth in Sentencing grants, to build or expand local adult and juvenile detention facilities.
- ☞ \$350 million from a proposed bond measure to address capacity needs of juvenile detention facilities.

## STATE INFRASTRUCTURE

### STATE INFRASTRUCTURE

The Administration proposes an aggressive program to revitalize the infrastructure for the State's critical programs. Included in the Budget are capital outlay projects totaling almost \$1 billion (including \$450 million to be funded from proposed new bonds). When coupled with the \$7 billion worth of projects to be funded from new bonds, these proposals represent a major investment in California's future.

The Administration proposes a total of \$7 billion in bonds for approval during the next year to ensure that educational, economic, and environmental gains of the past few years can be sustained into the future. This program will include the following:

- ☛ \$2 billion for K-12 schools as part of major effort to restructure the State's school construction program, reduce the voter threshold for local school bonds, and redefine the relative responsibilities of the State, local schools, and developers.
- ☛ \$1 billion for higher education to continue the provisions of the current higher education Compact for capital outlay.
- ☛ \$200 million for the Infrastructure Bank to assist local governments to independently raise funding for infrastructure for economic development projects.
- ☛ \$1.4 billion for correctional facilities including \$1.05 billion for state prisons and juvenile facilities and \$350 million for local juvenile facilities.
- ☛ \$1.3 billion for water projects to ensure adequate, clean supplies in the future and to protect the public from flood damage.

## STATE INFRASTRUCTURE

- ☛ \$800 million for watershed, wildlife, and parks improvement to further the policies of Resourceful California.
- ☛ \$300 million for other critical infrastructure including public health and criminalistic laboratories, mental health hospitals, and office buildings.

Program	Dollars in Billions
K-12 Schools	\$2.0
Higher Education	1.0
Infrastructure Bank	0.2
Correctional Facilities	1.4
Water	1.3
Watershed, Wildlife and Parks Improvement	0.8
Other Critical Infrastructure	0.3
<b>Total</b>	<b>\$7.0</b>

The Budget also includes funding of \$961 million in capital outlay from a combination of fund sources, including General Fund, special funds, federal funds, as well as existing and proposed bond authorizations. Highlights of the program in the Budget include:

- ☛ \$471 million for higher education facilities, including continuation of the higher education compact of \$150 million for University of California, California State University, and Community Colleges.
- ☛ \$84 million for correctional and other public safety-related infrastructure, including such projects as providing mental and health care facilities, upgrading perimeter fences at state hospitals, and providing for ward separation.
- ☛ \$82 million in environmental and resource stewardship projects, including \$10 million for the Coastal Initiative, \$15.7 million for the joint federal/state Lake Tahoe

## STATE INFRASTRUCTURE

Memorandum of Understanding, and \$32 million for critical firefighting facilities.

🏛️ \$297 million for fire and life safety and critical infrastructure projects, such as health laboratories, criminalistic laboratories, and a new headquarters building for the Office of Emergency Services.

🏛️ \$27 million for planning and other infrastructure projects.

## RESOURCES & ENVIRONMENTAL QUALITY

### **RESOURCES AND ENVIRONMENTAL QUALITY**

To protect and preserve California's valuable natural resources, the Budget proposes the following initiatives:

🏛️ Ocean and Coastal Initiative

🏛️ Watershed Initiative

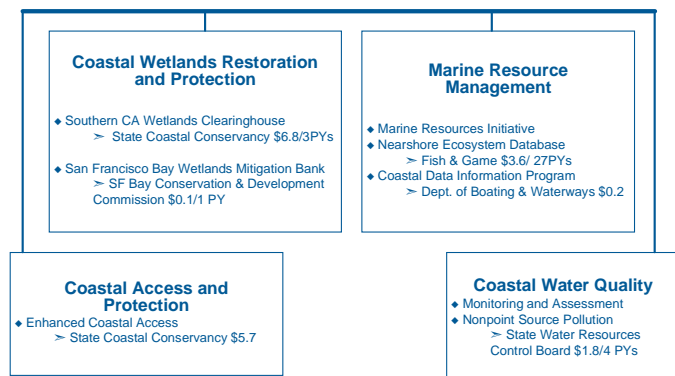
🏛️ Lake Tahoe Initiative

🏛️ Natural Community Conservation Planning Program

## RESOURCES & ENVIRONMENTAL QUALITY

### THE OCEAN AND COASTAL INITIATIVE \$18.2 million and 35 Personnel Years (Dollars in millions)

To fulfill the 1976 Coastal Act as well as the directives of the recently signed Ocean and Coastal Resource Management Executive Order, this Initiative takes actions to preserve and protect the State's coastline and natural habitat for the benefit of current and future generations.



### THE WATERSHED INITIATIVE \$8.9 million and 22 Personnel Years (Dollars in millions)

Evolution from time-consuming, costly, and burdensome project-by-project and species-by-species reviews to watershed-oriented environmental analysis and planning can save time and money. The Watershed Initiative is designed to build on California's experience with ecosystem management by expanding this work to key watersheds of the State.



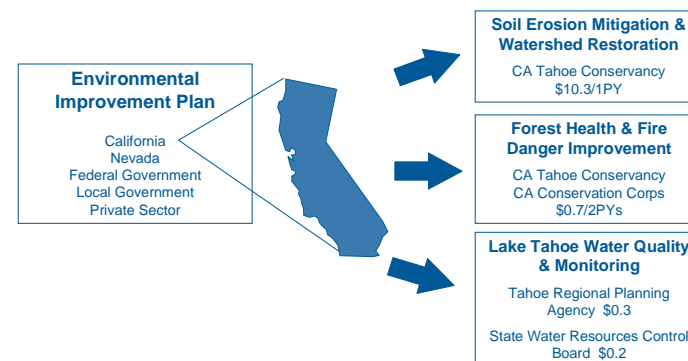
GOVERNOR'S BUDGET HIGHLIGHTS

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## RESOURCES & ENVIRONMENTAL QUALITY

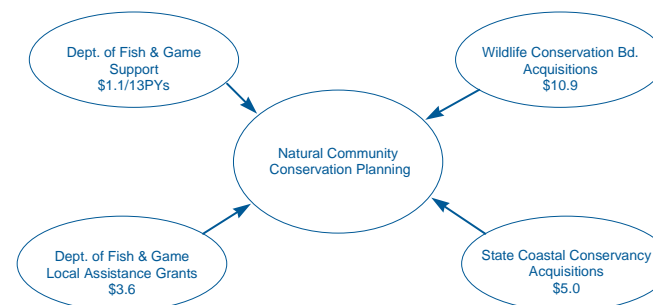
### THE LAKE TAHOE INITIATIVE 11.5 million/3 Personnel Years (Dollars in millions)

Through a state/federal/local/private partnership, the goal of the Lake Tahoe Initiative is to preserve and enhance the Lake Tahoe Basin for the use and enjoyment of future generations. The proposed state resources reflect the Governor's commitment made during the Tahoe Summit to match the federal government's financial commitment for implementation of the Environmental Improvement Plan for the Basin.



### NATURAL COMMUNITY CONSERVATION PLANNING PROGRAM \$20.6 million/13 Personnel Years (Dollars in millions)

The objectives of the Natural Community Conservation Planning (NCCP) is to protect sufficient acreage in regional preserves to assure survival of the ecosystem, and at the same time, permit compatible uses of less sensitive lands. Since the program began in 1991, state, local, and federal agencies have worked cooperatively with private landowners to make significant progress on or complete species and habitat conservation plans in Southern California covering well over one million acres.



GOVERNOR'S BUDGET HIGHLIGHTS

FORWARD →



## RESOURCES & ENVIRONMENTAL QUALITY

### RESOURCES AGENCY

#### Department of Forestry and Fire Protection

- The Budget includes \$6.8 million to ensure that the Department's initial attack firefighting capabilities are fully staffed to meet the demands of the State's fire season.

#### Department of Water Resources

- The Budget contains a \$12.1 million augmentation to continue support of programs that are critical to the Department's mission of providing an adequate water supply for the State.
- To implement the Flood Emergency Action Team Report, \$4.1 million is included for sediment removal in the Colusa Bypass, and \$5.6 million is provided to continue funding for various flood management and protection activities.

#### California Conservation Corps

- Through the Budget, the Administration will have met its commitment one year early to increase the size of the CCC from 1,700 to 2,550 corpsmembers by the year 2000. The Budget provides \$11.6 million to continue support for the CCC's Energy Assistance Program, the Southern California Energy Center, the Solano County Energy Conservation Program, the Backcountry Trails Program, and the Tahoe Re-green Program.

## RESOURCES & ENVIRONMENTAL QUALITY

### Department of Fish and Game

- The Budget provides \$11.7 million to enhance and restore the State's Central Valley anadromous fish habitat and population and \$2.1 million to expand the Department's hunting and urban fishing opportunities.

### CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY

#### Air Resources Board

- The Budget includes \$4.6 million for the characterization and control of particulate matter to improve ambient air conditions.

#### Integrated Waste Management Board

- The Budget provides \$1.5 million to implement a pollution prevention and education program for the Lake Tahoe Basin area.

#### Department of Pesticide Regulation

- The Budget includes a \$1 million augmentation for grant funds to promote research, education, and demonstration of reduced-risk pest management strategies in agriculture.

#### Water Resources Control Board

- The Budget provides \$1.5 million to implement a five-year workplan for restoring and enhancing the surface water that has been polluted by acid drainage from the Leviathan Mine, and an augmentation of \$900,000 for statewide enforcement and compliance activities.

## RESOURCES & ENVIRONMENTAL QUALITY

### Department of Toxic Substances Control

The Budget includes an increase of \$3.5 million to repay funds borrowed from the Superfund Bond Trust Fund.

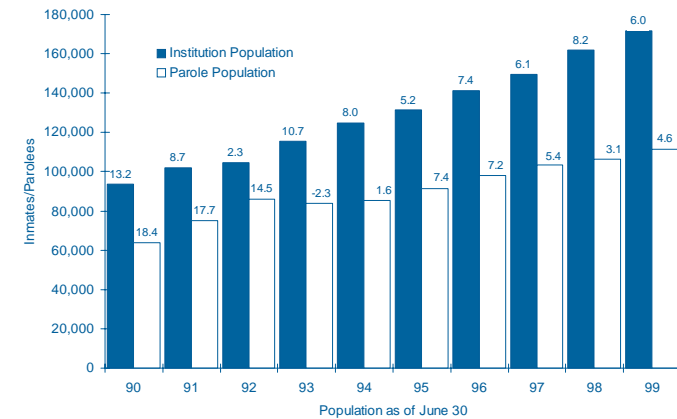
### Special Environmental Programs

The Budget contains an augmentation of \$1.1 million for CalEPA to contract for peer reviews so that risk assessment and other scientific analyses are of the highest caliber; and, an augmentation of \$2.3 million to provide a stable source of funding for the 13 Permit Assistance Centers.

## PUBLIC SAFETY

### DEPARTMENT OF CORRECTIONS

#### Institution and Parole Population Growth




Figures above the bars represent the percentage change from previous years.

**Prison Population.** The prison inmate population is projected to increase from 161,912 on June 30, 1998 to 171,610 on June 30, 1999, an increase of 9,698 inmates or 6 percent. Incarceration services will be provided through 33 institutions, 12 reception centers, 38 camps and 56 community correctional facilities.


**Parole Population.** As of June 30, 1998, the parole population will be 106,503. This population is projected to increase to 111,426 on June 30, 1999, an increase of 4,923 or 4.6 percent.


**Illegal Immigrant Felons.** The Budget assumes federal reimbursement of \$287 million for incarceration costs of adult and juvenile felons for 1998-99. The cost to California of incarceration and parole supervision will be approximately \$571 million for adults and \$19 million for juveniles.


## PUBLIC SAFETY

 **Community Correctional Facility Program, Additional Facility Contracts.** The Administration proposes to contract for the first 5,000 beds of a total 15,000 Community Correctional Facility beds, beginning in June of 1999. Funding of \$9.1 million is proposed for 1998-99.

### **BOARD OF CORRECTIONS**

 **Community Law Enforcement and Recovery Demonstration Project (CLEAR).** The Budget includes an additional \$14 million in 1998-99 for CLEAR, a multi-agency gang intervention program where law enforcement agencies work together to provide a coordinated response to criminal street gangs.

 **At-Risk Youth Early Intervention.** The Budget includes \$2 million for competitive grants to counties to establish an "At-Risk" Youth Early Intervention Program designed to assess and serve families with children (at least 10 years of age) with chronic behavioral problems, and to impose conditions of supervision upon those minors.

 **Federal Crime Bill.** Given the accelerating number of violent offenders and the public safety risks due to lack of local jail space, the Budget allocates 15 percent of the state's Violent Offender Incarceration and Truth in Sentencing grants (\$12 million) to build and/or expand local adult and juvenile detention facilities.

## PUBLIC SAFETY

### **YOUTH AND ADULT CORRECTIONAL AGENCY**

**Office of the Inspector General.** The Budget provides \$775,000 to expand the Office of the Inspector General. This office is responsible for reviewing departmental policy and procedures for conducting investigations and audits of investigatory practices and other audits and investigations of the departments within the Agency.

**Commission on Correctional Peace Officer Standards and Training.** The Budget includes \$461,000 for the Commission on Correctional Peace Officer Standards and Training to develop, approve, and monitor the selection and training of state correctional officers and apprentices.

### **DEPARTMENT OF THE YOUTH AUTHORITY**

**Institution Population.** The Youth Authority is budgeted for an institution population of 8,400 on June 30, 1998 and 8,315 on June 30, 1999.

**Security Improvements.** The Budget proposes funding for security enhancements in 1998-99 including: \$143,000 for two additional Group Supervisor posts during first watch at the N.A. Chaderjian Youth Correctional Facility; \$444,000 to provide staff for checkpoints at two institutions; and \$663,000 to upgrade the radio system at the Southern Youth Correctional Reception Center and Clinic.

**Special Education.** The Budget includes \$707,000 in Proposition 98 General Fund for 1997-98, and \$1.4 million in Proposition 98 General Fund for 1998-99, to increase staff to address the special education needs of the Youth Authority population.

## PUBLIC SAFETY

### **DEPARTMENT OF JUSTICE**

- ☞ The Budget proposes an increase of \$13.9 million to support the State's litigation efforts in a multi-state lawsuit against the tobacco industry.
- ☞ The Budget adds \$1.8 million to establish a regional Sexual Predator Apprehension Team in northern California, which is designed to target High Risk Sexual Habitual Offenders. This is an expansion of the existing Program which has teams operating from San Francisco, Fresno, and Los Angeles.
- ☞ The Budget includes \$4.2 million to implement legislation which established a new Gambling Control Division and a Gambling Control Board within the Department of Justice.
- ☞ The Budget includes \$5 million for the California Witness Protection Program, which provides relocation and protection of witnesses in criminal proceedings.
- ☞ The Budget includes \$3 million to fund local assistance grants in support of the California Gang, Crime, and Violence Prevention Partnership Program.
- ☞ The Budget proposes \$18 million federal funds to continue implementation of the California Methamphetamine Strategy.

## PUBLIC SAFETY

### **OFFICE OF CRIMINAL JUSTICE PLANNING**

- ☞ The Budget includes \$248,000 to help establish the Multi-Agency Gang Enforcement Consortium (MAGEC). MAGEC will leverage the participation of 30 local, state, and federal law enforcement agencies to apprehend and prosecute gang members in Fresno County who have committed serious crimes.
- ☞ The Budget includes an increase of \$473,000 in federal funds to establish a mentoring element within the Gang Violence Suppression Program and \$175,000 for a Probation Task Force, which will evaluate and make recommendations on the probation system.

### **COMMISSION ON PEACE OFFICER STANDARDS AND TRAINING**

- ☞ The Budget proposes to increase revenues to the Peace Officers' Training Fund by \$12 million. A portion of the additional revenues will be used to help local law enforcement fund the cost of backfilling officers on the beat while they attend certified training courses.
- ☞ The Budget provides \$2.5 million to local law enforcement for enhanced certified training in high priority areas such as specialized defensive tactics, pursuit driving, domestic violence issues, SWAT tactics, special weapons, and victim programs.
- ☞ The Budget includes \$2 million for training law enforcement officers on cultural diversity and tolerance issues at the Simon Wiesenthal Center, Museum of Tolerance in Los Angeles.

## PUBLIC SAFETY

### **OFFICE OF THE STATE PUBLIC DEFENDER**

☞ The Budget proposes an increase of \$3 million for the Office of the State Public Defender (OSPD) and \$5 million for the California Habeas Resource Center (CHRC) to implement Chapter 869, Statutes of 1997, which was enacted to reduce the backlog of inmates on death row without legal representation and to comply with federal time lines for expedited habeas corpus review. This legislation revised the mission of the OSPD to focus on capital appellate cases and moved the responsibility for providing counsel to indigent individuals in habeas corpus and other post-conviction proceedings to the CHRC. Additionally, the hourly rate paid to private counsel has been increased to at least \$125 per hour to attract more qualified counsel to work on these cases.

### **CALIFORNIA HIGHWAY PATROL**

☞ The Budget proposes \$4.9 million to expand the Peace Officer Environment Automation Project by equipping an additional 441 vehicles with laptop computers.

### **CALIFORNIA GAMBLING CONTROL COMMISSION**

☞ The Budget proposes \$615,000 from the Gambling Control Fund to establish the Commission effective January 1, 1999, pursuant to Chapter 867, Statutes of 1997.

## BUSINESS TRANSPORTATION & HOUSING

### **BUSINESS, TRANSPORTATION, AND HOUSING**

#### **Caltrans**

☞ Caltrans estimates that \$8.3 billion will be available for capital outlay programming over the six-year period of the 1998 State Transportation Improvement Program. A significant portion—\$4.6 billion—is for new projects. Over the same time period, another \$5.1 billion is available for major pavement and bridge rehabilitation projects that extend the life of the highway system.

☞ To support new projects, the Budget provides 400 personnel years and \$41.5 million as an initial estimate of the resources Caltrans will need for project management and engineering support.

☞ Chapter 327, Statutes of 1997, and Chapter 328, Statutes of 1997 provide over \$2.5 billion for the seismic retrofit of the State's toll bridges. The San Francisco-Oakland Bay Bridge—at a cost of \$1.75 billion—is the single most ambitious project in this effort, with an estimated completion date of 2003. Caltrans will spend \$528 million on toll bridge retrofit in 1998-99.

☞ In addition to the State's toll bridges, Caltrans is retrofitting 1,155 state-owned, multiple-column highway overpasses and bridges as part of the second phase of its highway bridge earthquake retrofit program. More than 90 percent (1,112) of the Phase II bridges will be under construction or complete by December 31, 1997.

#### **Department of Motor Vehicles**

☞ The Budget includes \$3.8 million to augment DMV's prevention, detection and investigation of fraudulent application and issuance of driver's licenses and identification cards.

## TRADE & COMMERCE

### TRADE AND COMMERCE AGENCY

☞ The Budget proposes \$250 million to capitalize the California Infrastructure and Economic Development Bank, including \$50 million from the General Fund and \$200 million from proposed general obligation bonds. The Bank will assist local governments in developing the infrastructure and public improvements necessary to create jobs and attract private investment.

☞ The Budget includes \$3 million from the General Fund to allow the Small Business Loan Guarantee Program to reach its maximum loan guarantee potential under statute. The augmentation will expand the amount of loan guarantees from \$89 million to \$133 million by 2000-01, assisting in the creation of approximately 4,400 additional jobs per year.

☞ The Budget provides \$1 million for new foreign trade offices in Singapore, South Korea, China, and Brazil. These regions represent the greatest trade expansion potential for California companies.

## GENERAL GOVERNMENT

### GENERAL GOVERNMENT

#### Department of Fair Employment & Housing

☞ **Expedite Employment Complaint Processing.** The Budget includes an augmentation of \$1.3 million for the Department to increase its service to the citizens and employers of California by reducing the investigation time of employment complaints.

#### Department of Consumer Affairs


☞ **Smog Check Program.** The Budget proposes an increase of \$68.5 million to address changes resulting from 1997 legislation which significantly revised the Smog Check Program. This increase will enable the Department to establish a program to purchase vehicles determined to be gross polluters and to subsidize the repair of vehicles owned by low-income individuals.

#### Department of Industrial Relations


☞ The Budget provides a \$643,000 increase to expand the Targeted Industries Partnership Program into the restaurant industry, and \$404,000 to enhance enforcement of the State's policies and laws regarding discrimination in the workplace.


#### Department of Veterans Affairs


☞ **Automation to Improve Efficiency.** The Budget includes \$4.9 million for the purchase and installation of a Veterans Home Information System (VHIS) at the Yountville Veterans Home. The VHIS will further enhance the Department's ability to adequately control costs and maximize reimbursements.


 **Reopening of Holderman Hospital Wings B and E.** The seismic retrofit of the Yountville Veterans Home Holderman Hospital Wings B and E is scheduled to be completed in January 1999. The Budget includes \$1.7 million for the reopening of these wings, which will allow for an increase of 58 intermediate care beds and 84 skilled nursing beds at the Home.

### Department of Food and Agriculture


 The Budget adds \$991,000 to reduce the risk of emerging pathogens at the production level of the food chain, including cheese food safety surveillance activities, review of field sanitation practices and procedures for fresh fruits and vegetables, and to address environmental waste management issues that impact food safety.

 The Budget includes \$895,000 to continue the Agricultural Parcel Inspection Program along with an increase of \$979,000 to fund an expansion of the program. This program employs roving inspection teams using specially trained canines to detect and intercept parcels containing prohibited plant material in parcel terminal points.


 The Budget includes an increase of \$320,000 to provide state oversight of a comprehensive statewide program to protect consumers from scanner transaction overcharges and assure fair competition for retail businesses.


 The Budget provides an additional \$546,000 to facilitate export opportunities, eliminate barriers to trade, and promote California agricultural products.


### California Science Center


 The Budget proposes \$1.7 million for public safety and access modifications in the Aerospace Hall building and for maintenance needs of Exposition Park.

### Military Department

 A \$2 million General Fund increase is proposed for special repairs and maintenance funding to address the most critical armory infrastructure and maintenance needs.

 A \$925,000 General Fund increase is proposed for the Los Alamitos Armed Forces Reserve Center to enable it to continue to serve as a primary disaster command center for emergency situations in the Southern California area.

 The Budget adds \$500,000 General Fund for Camp San Luis Obispo, which is a critical installation for civil disturbance training for soldiers as well as state and local law enforcement agencies. This facility also serves as a central coast staging ground and command center for emergency and disaster situations.

 The Budget adds \$2.3 million including \$200,000 General Fund and \$2.1 million in Federal Funds, to establish the California National Guard Youth Challenge Program.

## EMPLOYEE COMPENSATION & RETIREMENT PROGRAMS

### State Teachers' Retirement System (STRS)

- Retirement contributions to the STRS are offset by \$320 million from the sale of the Elk Hills Naval Petroleum Reserve.
- Pursuant to Chapter 939, Statutes of 1997, a retirement benefit enhancement is provided for members by increasing purchasing power protection benefit funding level to 75 percent.

### Civil Service Employee Compensation

- The Budget provides \$278.9 million (\$142.5 million General Fund) to fund employee compensation increases to be negotiated and agreed to through the collective bargaining process.

### Public Employees' Retirement System (PERS)

- The Budget includes \$310 million (General Fund) for payment of foregone interest earnings claimed by PERS in the case of *California Public Employees' Retirement System v. Wilson, et al.*

# SUMMARY CHARTS

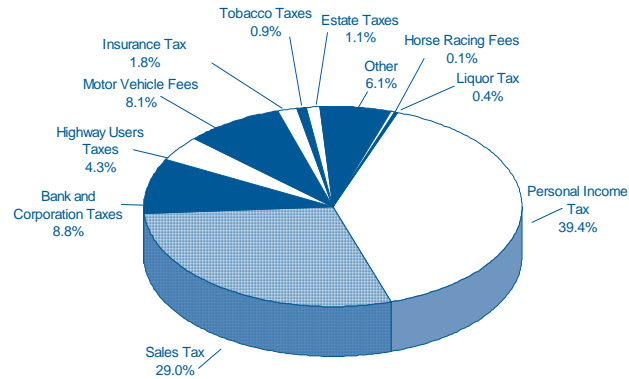




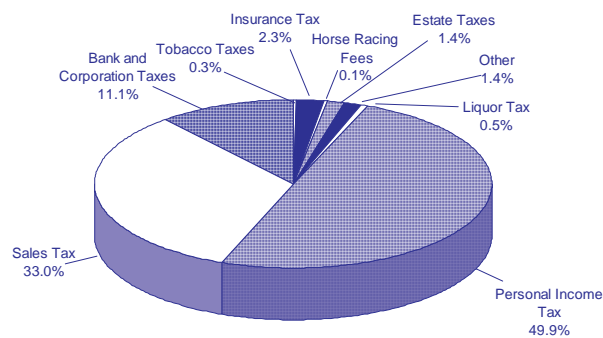
## SUMMARY CHARTS

### REVENUES 1998-99 FISCAL YEAR

Total Revenues and Transfers



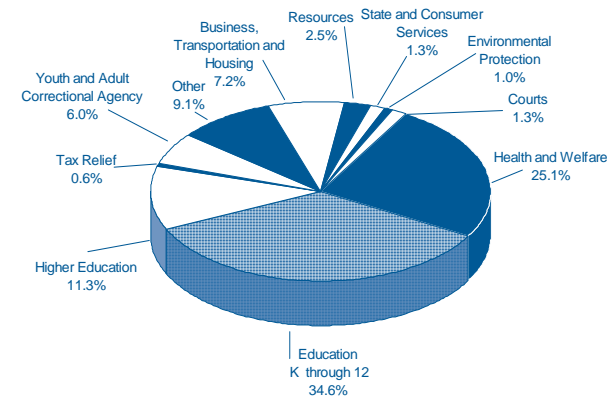
General Fund Revenues and Transfers



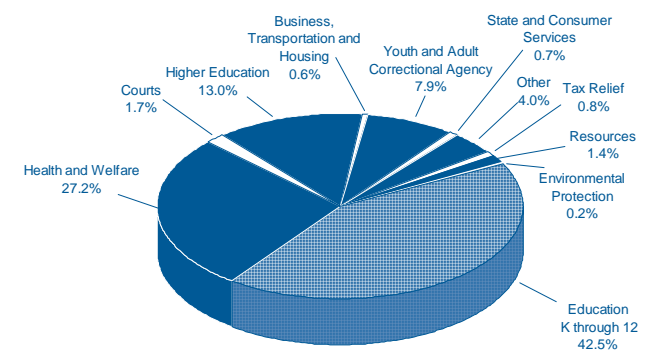
## SUMMARY CHARTS

### EXPENDITURES 1998-99 FISCAL YEAR

Total Expenditures  
(Including Selected Bond Funds)

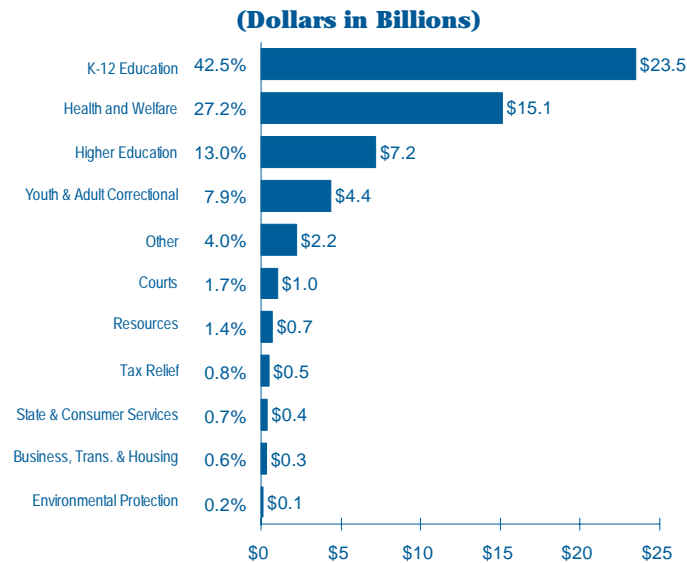


General Fund Expenditures



## SUMMARY CHARTS

### 1998-99 GENERAL FUND EXPENDITURES



☞ K-12 education remains the State's top funding priority—nearly 43 cents of every General Fund dollar is spent on K-12 education.

☞ Combined with higher education funding, the State will spend more than 55 cents of every General Fund dollar on education.

☞ Education, public safety, and health and welfare expenditures constitute nearly 91 percent of all state General Fund expenditures.

## SUMMARY CHARTS

### 1998-99 REVENUE SOURCES

(Dollars in Millions)

	General Fund	Special Fund
Personal Income Tax	\$27,640	—
Sales Tax	18,290	\$2,066
Bank and Corporation Tax	6,175	—
Highway Users Taxes	—	2,994
Motor Vehicle Fees	36	5,622
Insurance Tax	1,281	—
Estate Taxes	762	—
Liquor Tax	268	—
Tobacco Taxes	162	479
Horseracing Fees	42	36
Other	727	3,523
<b>Total</b>	<b>\$55,383</b>	<b>\$14,720</b>

### 1998-99 EXPENDITURES BY FUND

(Dollars in Millions)

Function	General Fund	Special Funds	Bond Funds	Total
Education (K-12)	\$23,522	\$59	\$1,957	\$25,538
Health and Welfare	15,070	3,460	—	18,530
Higher Education	7,191	655	460	8,306
Business, Transportation & Housing	338	4,445	538	5,321
Trade and Commerce	103	13	—	116
Courts	964	42	—	1,006
Tax Relief	465	—	—	465
Local Government Subventions	113	3,749	—	3,862
Youth and Adult Corrections	4,399	10	17	4,426
Resources	750	994	106	1,850
Environmental Protection	118	513	83	714
State and Consumer Services	408	477	61	946
Other	1,975	733	1	2,709
<b>Total</b>	<b>\$55,416</b>	<b>\$15,150</b>	<b>\$3,223</b>	<b>\$73,789</b>

## SUMMARY CHARTS

### 1998-99 GOVERNOR'S BUDGET GENERAL FUND BUDGET SUMMARY

(Dollars in Millions)

	<u>1997-98</u>	<u>1998-99</u>
Prior Year Balance	\$906	774
Revenues and Transfers	<u>\$52,890</u>	<u>\$55,383</u>
<b>Total Resources Available</b>	<b>\$53,796</b>	<b>\$56,157</b>
Expenditures	<u>\$53,022</u>	<u>55,416</u>
<b>Fund Balance</b>	<b>\$774</b>	<b>\$741</b>
<b>Budget Reserves:</b>		
Special Fund for Economic Uncertainties	\$329	\$296
Reserve for Liquidation of Encumbrances	\$445	\$445

## SUMMARY CHARTS

### EXECUTIVE OFFICE

CRAIG L. BROWN  
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445-4141

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CHIEF DEPUTY DIRECTOR  
445-9862

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PATRICIA POLLARD  
ASSISTANT DIRECTOR  
FOR LEGISLATION  
445-8610

### BUDGET PROGRAM AREAS

Budget Planning and Preparation,  
Cash Management, Statewide Issues ..... Carl Rogers ..... 445-5332

Education ..... Kathryn Gaither ..... 445-0328

Health and Welfare,  
and Local Government ..... Stan Cubanski ..... 445-6423

Revenue Forecasting, Economic  
Projections, Demographic Research,  
Business, Transportation and  
Housing, and Trade and Commerce ..... Shelley Mateo ..... 322-2263

Youth and Adult Correctional, Justice,  
General Government and  
State and Consumer Services ..... Calvin Smith ..... 445-8913

Resources, Environment, Energy,  
Capital Outlay and Legislation ..... Fred Klass ..... 324-0043

Employee Relations,  
Retirement Systems ..... Robert Straight ..... 327-0201

#### California's Budget on the Internet

This document is also available on the Internet at the California  
Department of Finance website—<http://www.dof.ca.gov>